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**BEFORE THE PUBLIC UTILITIES COMMISSION  
OF THE STATE OF CALIFORNIA**

Application of Southern California Edison  
Company (U338E) for Approval of its 2009-  
2011 Energy Efficiency Program Plans and  
Associated Public Goods Charge (PCG) And  
Procurement Funding Requests.

Application 08-07-021  
(Filed July 21, 2008)

And Related Matters.

Application 08-07-022  
Application 08-07-023  
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**PACIFIC GAS AND ELECTRIC COMPANY'S (U 39 M)  
PETITION TO MODIFY DECISION 09-09-047 TO  
IMPLEMENT PG&E'S ENERGY EFFICIENCY BUSINESS  
PLAN**

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Dated: September 7, 2018

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**BEFORE THE PUBLIC UTILITIES COMMISSION  
OF THE STATE OF CALIFORNIA**

Application of Southern California Edison Company (U338E) for Approval of its 2009-2011 Energy Efficiency Program Plans and Associated Public Goods Charge (PCG) And Procurement Funding Requests.	Application 08-07-021 (Filed July 21, 2008)
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Pursuant to Rule 16.4 of the Rules of Practice and Procedure of the California Public Utilities Commission (Commission), Pacific Gas and Electric Company (PG&E) respectfully submits this Petition for Modification of Decision (D.) 09-09-047 which adopted the terms of PG&E’s On-Bill Financing (OBF) program. Through this petition, PG&E respectfully requests that the Commission modify D.09-09-047 to enable PG&E to raise its OBF loan caps consistent with D.18-05-041 and PG&E’s approved Energy Efficiency (EE) Business Plan.

**I. BACKGROUND**

The OBF program was established in the 2010-2012 EE Program Decision (D.09-09-047) which adopted terms for OBF loans to be offered by PG&E.<sup>1/</sup> The details of PG&E’s OBF program were approved in Advice 3118-G-A/3667-E-A, which included a commercial loan cap of \$100,000.<sup>2/</sup> Since forming the program in 2011, PG&E has successfully financed over \$115

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1/ See D.09-09-047, Ordering Paragraph (OP) 40. See also p. 286 and Table 35 – Summary of On-bill Financing Program Budgets and Loan Terms by IOU at pp. 275- 276.

2/ See OBF Rate Schedule G-OBF/E-OBF for maximum loan terms  
[www.pge.com/tariffs/assets/pdf/tariffbook/GAS\\_SCHEDS\\_G-OBF.pdf](http://www.pge.com/tariffs/assets/pdf/tariffbook/GAS_SCHEDS_G-OBF.pdf)  
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million in loans for energy efficiency projects and experienced minimal defaults of 0.15 percent on those loans.<sup>3/</sup> The program adoption rate has recently increased with \$39 million OBF loans, approximately 33 percent of the program's total, provided from the start of 2017 to the end of Q1 2018.<sup>4/</sup>

PG&E filed its EE Business Plan application on January 17, 2017 in A.17-01-015.<sup>5/</sup> As a key approach for energy efficiency financing, PG&E stated it would "increase supply of, and access to, affordable capital for energy efficiency investments," including "raising caps and other parameters for OBF loans."<sup>6/</sup> The Commission approved PG&E's EE Business Plan in D.18-05-041 on May 31, 2018.<sup>7/</sup>

PG&E filed its 2019 Annual Budget Advice Letter (ABAL) on September 4, 2018.<sup>8/</sup> As directed in D.18-05-041, PG&E identified two potential OBF program changes for 2019, including the expansion of OBF program terms and loan limits for all non-residential customers.<sup>9/</sup> As stated in the ABAL, "PG&E expects that these changes will facilitate the use of OBF in larger, longer payback projects that can contribute significant savings to the portfolio."<sup>10/</sup> PG&E's forecasted 2019 energy efficiency portfolio includes the expansion of the OBF program as a fundamental tactic for improving overall portfolio cost-effectiveness.

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3/ Refer to Declaration of Alfred A. Gaspari Jr., Table 3.

4/ Refer to Declaration of Alfred A. Gaspari Jr., Table 4. Throughout this motion, PG&E uses Q1 of 2018 statistics.

5/ See PG&E Business Plan, [https://docs.wixstatic.com/ugd/0c9650\\_cbeb1d9e14cf4575845e8d5cd6bce57f.pdf](https://docs.wixstatic.com/ugd/0c9650_cbeb1d9e14cf4575845e8d5cd6bce57f.pdf).

6/ See PG&E's EE Business Plan, Finance Chapter, p. 2.

7/ D.18-05-041, OP 12 approves the energy efficiency business plans of eight program administrators, including PG&E.

8/ Advice 4011-G/5375-E.

9/ Advice 4011-G/5375-E, pp. 32-33; D.18-05-041, p.129. Program Administrators are directed to include a summary of proposed program changes including "reassessed or altered strategies...and/or general approaches to improve cost-effectiveness.

10/ Advice 4011-G/5375-E, pp. 33.

## II. JUSTIFICATION FOR THE PETITION FOR MODIFICATION

Commission Rule 16.4(b) provides:

A petition for modification of a Commission decision must concisely state the justification for the requested relief and must propose specific wording to carry out all requested modifications to the decision. Any factual allegations must be supported with specific citations to the record in the proceeding or to matters that may be officially noticed. Allegations of new or changed facts must be supported by an appropriate declaration or affidavit.

The justification for the requested relief is found in D.18-05-041 where the Commission adopted PG&E's 2018-2025 EE Business Plan. As PG&E's and other program administrators' EE portfolios increasingly move to third-party implementers, the Commission noted that the business plans adopted in D.18-05-041 are "sufficiently flexible" to accommodate both the "rolling portfolio bus stop schedule" and the state's increased energy efficiency goals to double energy efficiency savings by 2030.<sup>11</sup> As a means to reach these ambitious goals, PG&E proposed "raising caps and other parameters for OBF loans"<sup>12</sup> to increase the supply of, and access to, affordable capital for energy efficiency investments. By increasing the maximum loan amounts and extending loan terms, program administrators will be given greater flexibility to design programs around OBF in place of rebates and incentives. This approach is consistent with providing third parties with the ability to design and implement programs.

PG&E requests that D.09-09-047 be modified by extending the availability of PG&E's OBF loan limit of \$250,000 and ten-year terms to all non-residential customers. PG&E also proposes to increase the exception loan limit for standard OBF loans where unique energy savings opportunities are identified to \$4,000,000 for all non-residential customers. These changes would align the OBF loan terms across all non-residential customers, including government agency and multi-family housing customers. Table A summarizes the existing and proposed OBF loan limits and terms.

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11/ D. 18-05-041, p. 13.

12/ See PG&E EE Business Plan, Finance Chapter, p. 2.

**Table A: Summary of Proposed OBF Loan Limit and Term Changes**

<b>Customer Class</b>	<b>Existing Loan Limits and Terms</b>	<b>Proposed Loan Limits and Terms</b>
Multi-Family Housing and Government Agency Customers	Loan Limit: \$250,000  (\$2,000,000 available, by exception, for projects with unique energy savings opportunities)  Max Term: 10 years	Loan Limit: \$250,000  (\$4,000,000 available, by exception, for projects with unique energy savings opportunities)  Max Term: 10 years
Other Non-Residential Customers	Loan Limit: \$100,000  Max Term: 5 years <sup>13/</sup>	

OBF is designed to be bill-neutral for the customer. Loans are sized on the payback period of the project being installed, so projects that either exceed the loan limit or exceed the five-year loan term cannot be fully funded by OBF. Many such projects may not move forward and customers would have pursued larger projects if they had access to capital through OBF.<sup>14/</sup> Unfortunately, this inadvertently encourages “low hanging fruit” projects. The Commission has expressed concern about the “lopsided use of OBF funds in single end use lighting projects,” and stated that “the IOUs should adjust the loan program to incentivize and promote projects that are more comprehensive.”<sup>15/</sup> PG&E’s proposed OBF changes will achieve this goal and encourage adoption of more costly, but also more comprehensive projects that attain deeper savings.

Compared to other non-residential customers, government agencies leverage their access to increased loan amounts to execute longer payback projects and generate greater energy savings.<sup>16/</sup> As illustrated in Table B, government agencies loan amounts average 82% longer

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13/ PG&E may offer loan terms longer than 60 months if, in PG&E’s sole opinion, credit and risk factors support a longer loan term. However, terms longer than 60 months is not standard.

14/ Declaration of Alfred A. Gaspari Jr.

15/ D.13-09-044, p. 47.

16/ Declaration of Alfred A. Gaspari Jr, Table 5.

payback projects and generate 152% more kWh savings than other non-residential OBF loans.<sup>17/</sup>

Extending the larger limit and longer loan terms to all non-residential customers will likely encourage more comprehensive projects and deeper savings in those sectors.

**Table B: Non-Government Agency Loans Versus Government Agency Loans**

	<b>Average Loan Term (months)</b>	<b>Average Projected kWh Savings</b>	<b>Average Loan Amount</b>
Loans issued to non-government agency customers <sup>18/</sup>	39	73,910	\$31,915
Loans issued to government agency customers	71	186,760	\$153,244

PG&E customer account representatives serving large commercial, industrial, and agricultural customers report significant demand for the larger loans.<sup>19/</sup> The increased loan amounts will be particularly beneficial to the industrial and agricultural sectors that have historically underutilized the OBF program and are strategically targeted by OBF within the PG&E EE Business Plan.<sup>20/</sup>

Rule 16.4(d) provides in part:

Except as provided in this subsection, petition for modification must be filed and served within one year of the effective date of the decision proposed to be modified. If more than one year has elapsed, the petition must also explain why the petition could not have been presented within one year of the effective date of the decision.

PG&E acknowledges that this request is made more than a year after D.09-09-047 was issued; however, in D.18-05-041, the Commission approved PG&E's EE Business Plan. In its Business Plan, PG&E proposed modifications to its OBF program, including raising loan caps, to

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17/ Declaration of Alfred A. Gaspari Jr, Table 5.

18/ Includes loans to multi-family housing customers. Multi-family housing customers with commercial meters have had access to the same loan terms as government agency customers since the approval of Advice 3840-G/5065-E in 2017. Since that approval, however, no large loans have been issued to multi-family customers.

19/ Declaration of Alfred A. Gaspari Jr.

20/ Declaration of Alfred A. Gaspari Jr., Table 1.

maximize flexibility and access to PG&E's energy efficiency offerings, including new programs designed and administered by third-party program implementers. Through this petition, PG&E respectfully requests that the Commission modify D.09-09-047 to enable PG&E to raise its OBF loan caps consistent with D.18-05-041 and PG&E's approved EE Business Plan.

### **III. PROPOSED MODIFICATIONS TO D.09-09-047**

In compliance with Commission Rule 16.4(b), PG&E's proposed changes to Ordering Paragraph (OP) 40 to incorporate the above modifications are provided in Attachment A. Additionally, PG&E proposes that the Commission adopt the following new ordering paragraph to allow for flexibility in managing the OBF loan program in the future once PG&E has experience with the revised loan caps. The new OP is below and in Attachment A.

Ordering Paragraph 61:

Pacific Gas and Electric Company may file a Tier 2 advice letter for Commission review and approval of changes to the terms and conditions of the OBF loan tariffs, including the loan caps.

As drafted above, OP 61 only applies to PG&E. However, other investor-owned utilities may also want to propose changes to their respective OBF program terms and conditions in the future. PG&E recommends that the Commission consider extending OP 61 to include all the investor-owned utilities.

In compliance with Rule 16.4(c), PG&E has served this Petition on all parties to Application 08-07-021, the proceeding that resulted in D.09-09-047, Rulemaking 13-11-005 and Application 17-01-015, the proceeding that resulted in D.18-05-041.

#### IV. CONCLUSION

PG&E respectfully requests that the Commission grant this request for modification of D.09-09-047 to allow PG&E to implement changes to its OBF program as contemplated in PG&E's EE Business Plan. By increasing the loan limits for OBF, customers and third-party implementers will have greater flexibility in implementing and designing energy efficiency projects, ultimately helping California and the Commission reach the state's energy goals.

Respectfully Submitted,

TESSA M.G. CARLBERG

By: /s/ Tessa M.G. Carlberg

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Attorney for  
PACIFIC GAS AND ELECTRIC COMPANY

Dated: September 7, 2018



# ATTACHMENT A

## ATTACHMENT A

In compliance with Commission Rule 16.4(b), PG&E's proposes the following modifications to Ordering Paragraph 40 of D.09-09-047 to incorporate the requested revisions to its On-Bill Financing program. PG&E also proposes that the Commission adopt a new Ordering Paragraph 61 for future program changes.

40. The proposed energy efficiency financing programs of Pacific Gas and Electric Company, Southern California Edison Company, San Diego Gas & Electric Company, and Southern California Gas Company are approved with the following modifications:

- Each loan pool will be a revolving fund, applying loan repayments to make additional loans in the future;
- Southern California Edison Company should adjust its commercial loan cap to ~~match~~ the \$100,000 level ~~of the other utilities~~;
- Pacific Gas and Electric Company should adjust its loan cap to the \$250,000 level for all non-residential customers;
- Commercial loans may have their terms extended beyond five years, not to exceed the expected useful life (EUL) of the bundle of efficiency measures proposed, when credit and risk factors support this;
- Southern California Edison Company shall extend the institutional loan term to 10 years or the EUL, whichever is less, to match the terms of Pacific Gas and Electric Company, San Diego Gas & Electric Company, and Southern California Gas Company;
- Pacific Gas and Electric Company shall extend the loan term for all non-residential customers to 10 years or the EUL, whichever is less;
- ~~Pacific Gas and Electric Company~~, Southern California Edison Company, San Diego Gas & Electric Company, and Southern California Gas Company may exceed the individual loan cap for institutional customers up to a total of \$1 million per facility, for unique opportunities to capture large savings, and when all other terms will be met;
- Pacific Gas and Electric Company may exceed the individual loan cap for all non-residential customers up to a total of \$4 million per facility, for unique opportunities to capture large savings, and when all other terms will be met;
- Pacific Gas and Electric Company shall increase its target lending pool to \$18.5 million, equivalent to the combined targets for Southern California Edison Company and Southern California Gas Company, and do so by transferring financing program budget funds otherwise proposed for taxes and billing system modifications for on-bill repayments;
- Pacific Gas and Electric Company's request for \$7 million for front-end state taxes on the loan pool is disallowed; and
- Pacific Gas and Electric Company, Southern California Edison Company, San Diego Gas & Electric Company, and Southern California Gas Company should not file any advice letters for additional financing mechanisms beyond On-Bill Financing until Energy Division publishes a report on energy efficiency financing.

61. Pacific Gas and Electric Company may file a Tier 2 advice letter for Commission review and approval of changes to the terms and conditions of the OBF loan tariffs, including the loan caps.

# ATTACHMENT B

**Declaration of Alfred A. Gaspari, Jr. In Support of Pacific Gas and Electric Company's  
Petition For Modification of Decision 09-09-047 to Implement PG&E's Energy Efficiency  
Business Plan**

1. I, Alfred A. Gaspari, Jr., make this declaration to state new and changed facts in support of Pacific Gas and Electric Company's Petition for Modification of Decision 09-09-047 to Implement PG&E's Energy Efficiency Business Plan. The statements in this declaration are true and correct to the best of my knowledge.

2. I am the Manager of the Residential and Transaction Services team, part of the energy efficiency portfolio management team at PG&E. I am responsible for the On-Bill Financing (OBF) program and have been overseeing operations of the program since 2012.

3. In my experience operating the OBF program, the revised OBF loan terms for non-residential customers will support greater flexibility in program design for program implementers and provide a greater mix of the types of measures, projects types and customers than is currently served by OBF.

4. For non-government agency customers, the current loan cap for OBF results in primarily lighting projects implemented by small-medium business customers. By contrast, when large loans are used for government customers (over \$250,000), 43 percent have included non-lighting measures. PG&E has not seen significant uptake in the program from large commercial, agricultural or industrial customers.

5. Both PG&E customer account representatives and program implementers who help customers find and install energy efficiency measures have reported that OBF would be a solution for other customers with larger projects scopes. They have reported that customers would have pursued larger projects with deeper energy savings if they had access to capital through OBF.

6. PG&E customers have not pursued energy efficiency projects because the OBF loan has not historically been large enough. Agricultural and Industrial customers have previously opted against undertaking projects due to a lack of OBF funds at a scale to support their projects.

7. PG&E's account representatives and program implementers report that they often do not offer OBF as an option to customers with larger project needs because of the loan limits.

8. The following data is extracted from Energy Insight, PG&E's loan management system which maintains the records for the OBF program. Data is taken as at Q1 2018.

**Table 1: Cumulative loans by sector**

Sector	# of Loans	Loan Amt Issued	Avg Loan Size
<b>Agricultural</b>	102	\$6,391,914	\$62,666
<b>Commercial</b>	1901	\$60,831,235	\$32,000
<b>Industrial</b>	111	\$4,112,398	\$37,049
<b>Institutional</b>	461	\$43,476,972	\$94,310
<b>Multi-Family</b>	12	\$384,576	\$32,048
<b>Total</b>	2587	\$115,197,095	\$44,529

**Table 2: All loans by included measures**

	All loans*	Loans under \$250K	Loans over \$250K
Projects with lighting equipment only (A)	1,763	1,746	17
Projects with non-lighting equipment (B)	695	682	13
Total projects (C = A + B)	2,458	2,428	30
Percentage of projects with non-lighting equipment (B ÷ C)	28%	28%	43%

\* There have been 129 loans without measure data, which have been excluded from this table.

**Table 3: Defaults**

Loans Issued		Defaults		
Number	Amount	Number	Amount	Defaulted amt as % of total loan amt issued
2,587	\$115,197,095	15	\$170,983	0.15%

**Table 4: Loan amounts issued by year (\$ millions)**

Cumulative through 2012	2013	2014	2015	2016	2017	2018 (Q1)
9.3	14.2	17.8	17.8	16.7	24.2	15.0

**Table 5: Government Agency Loans: Key Statistics for all loans from program initiation to Q1 2018**

	Average Loan Term (months)	Average Projected kWh savings	Average Loan Amount
Government Agency	71	186,760	\$153,244
Other Loans	39	73,910	\$31,915

I declare under penalty of perjury under the laws of the State of California that the following is true and correct to the best of my knowledge and belief.

Executed in San Francisco, California on September 7, 2018.

  
ALFRED A. GASPARI, JR.